II. D.

McConnell: About five years ago, we divested a portion of pension assets into Real Estate. That was about the time Real Estate started to perform badly. That market has at last bottomed and may have started to turn. Continue to be impressed with the quality and nature of the companies they have invested in. Company has continued to write down value of assets. They are geographically diverse as well as having investments diverse.

II. E.

Barnes: This is an update report on our relationship with the VHA. Brief report to summarize whether we are getting tangible benefit from the relationship.

___?___ Page 152, was that on an annual basis we are getting $2 million return from our investment?

Nimick: Does Delaware Valley belong to VHA?

Abdelhak: By virtue of the fact that it is part of AHERF, they get some benefit.

Talked about Baxter/VHA.

II. F. <u>Summary of Investment Report</u>

___?___ Reviewed asset allocation: 45% in AGH, 26% in AHERF. Talked about where it is placed in fixed income, U. S. Stocks. Talked about how much is in stock and how much in funded depreciation, how much in endowments. Overall portfolio is down about ( ) this year to fund MCP parking garage and Northwest Wing.

Neuwirth: Recognizing that we cannot expect our investment advisors to provide advice on the stock market, is there any way we can predict what the market will do in the next year?

___?___ Diversification strategy is paying off; it is helping us. All pension funds will now have the same returns going forward. Endowments continue to be our weakest return.

II. G.

____?___ Referred to asset allocation - 63% in cash and in this market they have done very well. We will blend this into Allegheny. They had positive returns.

II. H. Cash Disbursements

____?___ Same comment. Internal Audit reviews this report. Audit Committee reported that was complete.

____?___ Any questions?

Adjourn, 1:20 p.m.

cg
wp:03181
Transcription date: 3-18-2002

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EXHIBIT 9

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Finance 6/23/95
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Transcription of Shorthand Notes of Carol Gordon - Finance Committee, April 3, 1995

NOTE from transcriptionist:

( ) means I did not write anything in that spot at the meeting.

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Meeting began 12:00 noon.

I. A. Minutes approved.

Abdelhak: David will start with Page 21 to give you a sense of the activity behind it. David will be working with our patient activity more and more.

Tab 2

McConnell: From admissions standpoint, the system is close to budget. Through February, we have the same level of variance in total. From patient days, there is a substantial difference. If we continue to decrease our stay, this is a trend that we hope continues. Do have some payors that pay on per day basis. Talked about acuity and cost per day. Average length of stay is 6.6 compared to budget of 7.0, and you can see where we compared to last year. Impressive improvement. Average revenue per case is up. Hahnemann is 170, quite high. Talked about each hospital. When you go to financial statements on Page 13 - highlights. Net patient service revenue. $1.7 million ahead of budget. Have had increase in some areas in outpatient revenue. Increase of patient mix gives higher yield. Believe we are still liquidating, not recognizing revenue for grants. Expect gap to close. Total revenue is down about $3.5 million in revenue. Expenses, however, has 15.4 below budget in expenses. We have started to look at results from operations and loss is at 6.2. We are making positive contribution from operations.

Little: Looking at operating statistics, Page 21 - looking at Elkins Park but wondering about long range outlook and how AIHG will affect the system.

Abdelhak: They made money in January for the first time. That is the result of a lot of things Don has been working on with Meg. Seems fairly energetic. Outlook for long term is to make sure that they, at a minimum, serve as a source of referral. If we can improve upon that, all the better. Their combined revenue, on an annual basis, is $100 million. We expect that they will break even. They are an important

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resource. If our view changes, we will examine alternatives.

McConnell: Through December, Elkins Park and Bucks County lost $7 million; this year they lost $4 million; substantial improvement. This morning we finished the February consolidating financial statements. From a profit and loss standpoint, the trends through December are continued. AGH bottom line $6 million, $2 million behind management budget. Delaware Valley consolidated entire region is $15.8, so they are significantly ahead. As a system, we are showing a number of $14.1 consolidating with board approved loss, we are doing well from where we expected to be. Generally do not see large swings in the budget. That is down substantially from the June 30 numbers. In addition, we have had a blip in receivables; they are up from patients; climb has retreated; expect it will return to where it was.

Gumberg: Asked about seasonality of these numbers.

McConnell: No, there are different people doing different things. At the same time, we announced that we were consolidating billing function and moving it to Pittsburgh. Talked about vacant positions in billing in Delaware Valley. We were able to negotiate that all our employees have jobs. Talked about backlog in billing; expect to be in good shape by June. Have hit most of the highlights on the balance sheet. Have completed half of the AGH financing. Any Questions?

Motion. Approved.

<u>Budget Guidelines</u>

Abdelhak: Talked about how we presented budget guidelines last year. There was a conflict in how we gave direction last year and what the mix of guidelines was. At the beginning of this budget process, David suggested that we base our approach on something more simplified and look at the margin that would give us a guideline and let the CEOs form a different set of guidelines to achieve the margin. What you see is an abbreviated approach but one that I think would be more constructive in the long term. In terms of establishing guidelines for the institutions, I felt that there were a number of entities whose mission was to contribute to the other entities to improve their service and financial condition, including the University, AIHG and hospital, so I established a break even target for those entities. We expected the other hospitals to generate a 5% margin. Talked about each hospital's target and how they are going to achieve it. Desire to work with an overall margin for AGH instead of operating margin. Then learned that CCC is getting a revenue reduction of $3.3 million because its

exemption is expiring at the end of this year. So I made accommodation for their target. AHERF expenditures are principally expenditures supporting the research enterprise in the system. We have summarized what we mean on Page 30. Think David and his staff have been quite successful in solving a variety of issues. Use all of those guidelines we should end up next fiscal year with a $35.5 million bottom line for AHERF, and if you turn to Page 31 you will see that the capital budget, have limited capital budget for each institution. Talked about capital budget.

____?____ Board talked about targets and how arrived at and how to achieve. How should board hold management accountable?

Abdelhak: That is how we move from board approved budget to management budget, i.e., there was an enormous ____________ of disproportionate service. We tried to manage within what is known at the time. Talked about how we made budget with governmental budgets that are known in June.

Barnes: Talked about our bottom line orientation compared with Hahnemann which was happy to run on a break even basis from a cash point of view. Think we have some evidence that suggests that our hard work approach to having a good bottom line makes sense, even though the industry is under a lot of pressure. More progress will give us a great advantage over a lot of people who may not put the effort forth. These are challenging objectives for management.

Resolution on Page 28 approved.

Tab 3

McConnell: Resolution on two issues: (1) In the past, the AHERF board approval was required to open accounts at special banks. This resolution gives approval to management to open bank accounts. Sometimes with so much going on, it is difficult to wait for board approval.

Neuwirth: Hard for me to visualize instances where you require immediacy.

McConnell: Sometimes you have to get in.

Abdelhak: There is no question that there is time, but we are trying to clean up the agendas for the various boards and committee meetings. We can let you know, as part of the management report, when we have made a change. At this point, we have just about every single bank represented on our board, and whenever I have anyone

who is involved in a situation who has a relationship to anyone that works in any bank, they can't be involved. So we will deal with it off line and let you know when changes are made. (2) Second reason is for dual manual signatures. Talked about action of Audit Committee changing manual signatures. We will probably end up with one bank account to pay bills, and processing issues are such that we would like to change strategy for one facsimile signature and one manual signature. This is a check and balance. David talked about Freedom to Act Guidelines. Do not feel this is significant diminution of internal audit process.

Barnes: This is straightforward; any comments?

Neuwirth: Yes, Page 24 talked about "designated in writing" - to come; it is not clear. Said banks who are authorized must be in writing, not by phone. Asked about checks to yourself.

Abdelhak: David.

McConnell: Minutes reflect that it is a policy that no one can issue a check to themselves or for their benefit. Cannot sign a check for them or for their benefit. It requires manual signature and cannot have manual signature that is to them or to their benefit.

Motion approved.

McConnell: Page 26. Next is along the same lines. Asking that incumbents of certain positions be authorized to open credit accounts - this just makes it easier.

Gumberg: Thought this was broad authority, but asked about present policy.

___?___: Add in: Consistent with policies for investments.

Nimick: Asked if this said annual authority to approve stock exchange.

McConnell: We can report annually.

Abdelhak: Put that in the resolution.

___?___: Page 27, Paragraph 4 from bottom.

Neuwirth: Said that we should not relieve ( ) from any liability. Why?

McConnell: Standard practice - they don't want to take responsibility. Mike broker dealers

look for authority and also disclaim decisions. If there should be a problem, they set up an arbitration guideline about problem. The issue is (1) their authority, and (2) no responsibility. In essence, we are saying that the appropriate parties in the organization have authority to act to execute transactions and broker deals out on that.

Neuwirth: It says if the board must act based on what they believe to be good instructions, I have if they must interpret it we absolve them from liability. I would take it out.

Abdelhak: We can take it out and deal with it on a control basis.

Barnes: Asked Nancy for comments.

Wynstra: Legal reviews every contract and we always write the limits of liability language as tightly as we possibly can, but there is a limit as to how much the companies let us do it.

Resolution to recommend to the board. Recommendation to the board approved.

Information Items

Tab 6

McConnell: As you may recall, at our last meeting the Committee approved $100 million financing for AGH. This has become a deal from hell. Talked about First Boston going out of the business. Mike sorted out who was going to be around to help us with the deal. The market was coming back to us. Moved the fixed rate portion to PNC. They worked in high gear with us to get the deal done. Completed with average interest cost of 6.5%. Lowest cost in the system. Talked about the pieces of the issue.

Gumberg: If in the pricing we have a substantial piece that is short term, what happens in the resale in a couple of years?

Martin: Have maturities 1- 30 years.

Abdelhak: Yes, this is the fixed portion; we always have 1, 2, 5, etc. The rating agencies beat us up over the complexity of our system. The market doesn't always beat us up over the complexity.

McConnell: Given the market's uncertainty, it made sense to insure.

Abdelhak: My request of David is to insure every time we can from this point on because a lot of people we deal with (as long as the cost is less than the benefit).....have these judgments about our structure.

McConnell: Fixed portion is complete and closed. Variable piece should be done next week. Repriced weekly.

Abdelhak: I asked David to explore bonding for all of the officers that are signing on behalf of the institution. We will be doing that, provided the cost is reasonable, we will proceed with the bonding. It is provided in our bylaws; board has never requested it, but we think it is a good idea.

Investment Report

Martin: Page 32 is written report, which covers the AHERF system. For the periods December 31, 1994, there was decrease of $90 million. Gave some details on decline in value, (1) withdrawals, and (2) unrealized investment depreciation.

Continued with report. Market in 94 was difficult. Talked about pension investments. Pages 34, 35 - There are investment returns for each portfolio type. Continue to monitor situation and may make some changes in the investment managers over the next six months.

Barnes: Any questions?

Tab 7

McConnell: Cash disbursements from AHERF - have information. Same lists are presented to each Resource Management Committee at each operating unit level. This list will grow at AHERF, relevant reductions at operating units.

Meeting adjourned 1:05 p.m.

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wp:03182
Transcription date: 3-18-2002

EXHIBIT 10

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Transcription of Shorthand Notes of Carol Gordon - Finance Committee, June 23, 1995

NOTE from transcriptionist:

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Meeting began 2:00 p.m.

No additions to the agenda.

I. A. Minutes approved.

I. B. Financial Statements

McConnell: Page 14, Executive Summary of Consolidated Financial Statements. Things look very good. Total revenue line, we are within $1 million on $1 billion revenue forecast. Expenses $15 million favorable to budget. Actual loss from operations $4.3 million compared to $21 million loss. Non operating gains ( ). Excess of revenue $17 million. ( ) ahead of budget. Have preliminary information through May for most of organizations which suggest favorable trends continuing. On track for $28 million bottom line for this year as of end of May. Organization doing much better than anticipated. Board approved budget was $3.5 million, profit exceeded by $25 million. Margin 1.7% return. We are ahead for 5% for most of the organizations. Significant increase. Things continue to look better. Admissions are dead on with projections. Patient days 24,900 , __________ __________ efforts on utilization side to shorten length of stay. That has allowed us to reduce costs. Positive variance.

Abdelhak: Can you estimate what prior year actual would have been if we had consolidated Hahnemann?

McConnell: Organization showed AHERF $9.5 million excess, Hahnemann had $30 million loss for the year. We would have had $21 million loss last year. So we are comparing to that. $40 million improvement. That is a reflection of excellent performance by Donald Kaye, Carol Calvert, and Leonard Ross - each and every one has had stellar performances, and we are delighted to see the effect of that.

Abdelhak: In the hospital system in Philadelphia, the results have changed significantly

because of the practice acquisitions (Carol's results) and the community hospitals are reflecting a profit directly related to the work of Carol and her group. Management team performing at stellar rate. Proud of her work.

Snyder: Since length of stay is so important, I would like to ask Dr. Kaye if he would give us an idea how much further it would be reduced in five years.

Kaye: Two factors: (1) There is more pressure to reduce length of stay for the patients that are being admitted, however, at the same time, patients who were previously admitted are not being admitted. Only the most serious cases will be admitted. We are not there yet; we will continue to see length of stay drop considerably.

___?___ How much has it dropped in the last five years?

Kaye: Going back to the DRG, I think 50%, since then, another 20%.

McConnell: Balance sheet - comparing March 31 to audited numbers last June 30, decrease in cash $40 million, receivables increased $31 million. We have been in the process of consolidating and updating the Information Services related to our billing areas as well as transfer billing to Pittsburgh. _________ annual savings, some of which will be realized in the next year. Pittsburgh receivables are still 66-67 days, which are in the best in the country. Bulk is in Philadelphia. What happened is that as the management team was planning for the physical move, leaks occurred, and we were confronted by staff; were not able to retain staff. Have had 50% vacancy rate in billing. Have farmed out some billing activity to subcontract in Philadelphia. Have begun to build up quicker than anticipated. Expect September/October time frame to be under control. We have 100 people affected.

Gumberg: The receivables are clean; no other reason?

McConnell: Yes - not increasing bad debt reserve in any way. Talked about the collector hiring all of our people, over 100 people. Each of our receivables has become more current. Other major change is AGH - secured half of its financing in March, $50 million in April. Increase in long term debt. Transaction reflected on balance sheet. In addition, in the PPE line, there were acquisitions and some equipment depreciation. As a system, we continue to reinvest at a slightly higher rate than we are investing. Long term debt: $50 million was secured in March. A portion went into the investments restricted by financing agreement (repaying AGH for capital expenditures); some money in escrow. Any questions on balance sheet?

Gumberg: Question about bond issue, etc. and how it was paid back.

McConnell: Next page; Revenue highlights; Research and training support $13 million negative variance offsetting $13 million positive variance. Has been delay in utilization of grants in the University.

Nimick: Have we consolidated AHSPIC?

McConnell: We do in balance sheet, but not in P&L.

Motion. Financial statements approved.

I. C. <u>Budget</u>

Abdelhak: Attention to Page 39. Look at activity levels compared to the projection for the year end. You will see that one area hospital system has substantial increase due to practice acquisitions plus recruitment to large number of individuals. Talked about occupancy. Talked about cost of adjusted days. That is where the profit trends. Page 38: Results of Operations - AGH consolidated continues to perform at level higher than is possible because of a great deal of hard work. Enormous reduction in revenue was absorbed. When you look at the net income from other payors, they now total $75 million for inpatients. Earlier AGH profit was $60 million, so there has been an incredible erosion that came from reduction in inpatient rates (28%) as well as 35% reduction from outpatient activity. Five years ago, income from physician practices was net $1 million, and by the end of this year it will be $24 million loss - all of that is absorbed by AGH. Still have respectable bottom line. Incredible improvement in Delaware Valley consolidated. Combination of all units. AIHG - acquiring physician practices has enabled us to move significantly toward accomplishing our objectives. Close to 200 at this point.

AHERF operations is a negative number because of the support that AHERF provides in the form of research investments and other investments. Our people have worked very hard; they heard the message loud and clear, and have performed in a spectacular way. We are not going to have a board budget and a management budget; we will have single budget. Before we get into any further detail, I would ask David to expand upon what I have said and deal with the other aspects of the budget.

McConnell: You gave all the highlights in the budget. Talked about the goals Finance Committee and board approved at the last meeting: (1) read them - 5% return;